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Central Intelligence

[redacted]

National Intelligence Daily

Saturday
16 January 1988

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Top Secret

CPAS NID 88-013JX

[redacted]

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PERSIAN GULF: **Situation Report**

Tanker War

Iran attacked a Liberian tanker on Wednesday, a Norwegian tanker on Thursday, and another Liberian tanker yesterday, according to press reports. At least two were involved in trade with Saudi Arabia. Before this series of attacks, the last Iranian ship attack occurred on 26 December. Since then, Iraq struck four ships involved in trade with Iran. It also attacked a decoy barge and a ship going to Kuwait. 25X1

Comment: Iraqi aircraft have searched for targets nearly every day this month, but bad weather—and perhaps technical problems—has held down the number of attacks. 25X1

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Syrian Mediation Makes Little Headway

Kuwait and Saudi Arabia are denigrating Syrian attempts to broker improved relations between Iran and the GCC, according to the US Embassies in Riyadh and Kuwait. Syria appears to have little to offer the Gulf states 25X1

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Besides wanting to make some gesture of support for Syria's efforts, Iran probably temporarily restrained its ship attacks to devote more attention to preparing its ground offensive against Iraq, to encourage the US and Europeans to draw down their forces in the Gulf, and to help delay efforts at the UN for a sanctions resolution. [redacted] 25X1
[redacted] 25X1

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TAIWAN: **Transition Smooth So Far**

Efforts to maintain the reform programs of the late President are continuing, with Kuomintang Secretary General Li Huan promising to implement Chiang Ching-kuo's last instructions, but political maneuvering so far has had little effect on currency and market stability. 25X1

Li Huan, invoking Chiang Ching-kuo's will, announced yesterday that the 13th Party Congress will convene on 7 July. The congress will elect a new chairman and endorse Chiang's reform initiatives. Local press reports that, in accordance with Chiang's last instructions, the reform program—including the restructuring of parliamentary bodies—will continue. The head of the Kuomintang caucus in the Legislative Yuan yesterday also announced that he hopes to pass the political organizations bill before the end of the current session and pledged to continue the Kuomintang dialogue with the opposition Democratic Progressive Party. 25X1

Meanwhile, Taiwan's stock and currency markets are still quiet as government officials have called for calm and promised to avoid drastic fluctuations on the securities market. On Thursday, the New Taiwan dollar held steady, near 28.6 to the US dollar—in part because of strong Central Bank intervention—and the stock market index slipped only 2.5 percent on high volume. There has been some outflow of capital—largely speculative funds—but the Central Bank is not planning to reimpose restrictions on capital outflows. 25X1

Comment: Li Huan is moving quickly to invoke the late President's authority to push for continued movement on reform. The unexpectedly early announcement that the party congress will convene in July suggests Li may be attempting to seize the initiative from party conservatives and may already have cut some deals in efforts to strengthen his hand in the central party apparatus. 25X1

Although the smooth transition to the post-Chiang era has prevented speculation thus far, Taiwan's stock market has been highly volatile since October and will remain sensitive to any sign of instability arising from political maneuvering over the next 30 days. Taiwan's exchange rate is less at risk, because the currency remains undervalued. 25X1

The government may be unwilling to address trade and foreign exchange issues for several weeks, as it concentrates on keeping the domestic financial sector stable while the new leadership gets settled. Taipei may petition Washington to ease economic pressure for a while, arguing that Taiwan's political succession is as crucial an issue as the presidential election that eased US demands on Seoul. 25X1
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ISRAEL: **Growing Danger of Violence**

Two Palestinians were killed this week after attacking Israeli soldiers with knives, signaling the growing likelihood of more deadly clashes in the West Bank and Gaza Strip. [redacted] 25X1

One Israeli soldier was stabbed and seriously wounded Thursday in an apparent kidnaping attempt just inside Israel's pre-1967 border with the West Bank, and another was attacked in Gaza yesterday. Earlier this week, the Israelis uncovered two alleged terrorist groups in the Gaza Strip, according to press reports—one made up of Muslim fundamentalists planning to assassinate a manager of a local Israeli bank. [redacted] 25X1

Comment: A limited number of guns and explosives are available on the black market or in hidden caches, but local activists probably have not tapped these sources for fear of losing favorable international publicity. PLO leaders have also refrained from urging members and sympathizers in the territories to escalate the violence against Israelis, instead praising in radiobroadcasts and press interviews what they term "the revolution of the stones." [redacted] 25X1

By adopting this approach, the PLO appears principally concerned that residents in the territories under Israeli occupation not hold it responsible for causing additional hardships on their lives. [redacted] 25X1

[redacted] 25X1

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WEST GERMANY-EC-SYRIA: Bonn Would Lift Sanctions

Foreign Minister Genscher announced that during its current EC presidency West Germany will lobby to lift remaining Community sanctions against Damascus imposed in 1986 after Syrian complicity in terrorist activity was revealed. Genscher cited as justification for such steps changes in Syrian attitudes toward terrorism, improved bilateral relations between Syria and EC countries, and Syria's key role in Middle East peace efforts.

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Comment: The announcement is sure to evoke criticism from other EC members, who will view it as an attempt to win the release of the remaining West German hostage in Lebanon. London probably would consider softening its anti-Syrian stance if prospects for a Middle East peace conference improved considerably, but for now it is opposed to improving relations with Damascus and might veto any formal EC move to do so. In any event, the proposal to drop sanctions is largely symbolic, because individual EC countries have already lifted sanctions and because new EC development aid would be subject to lengthy negotiations.

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COLOMBIA: Rebels Attack Oil Pipeline

National Liberation Army guerrillas resumed bombing Colombia's major oil pipeline this week in three well-coordinated attacks, the first since May. The attacks forced the state-owned oil company to suspend pumping—at a loss of $3.5 million a day in export earnings—and caused an oilspill of at least 15,000 barrels, according to the US Embassy. [redacted] 25X1
[redacted] 25X1

Comment: The government began stationing military units near the pipeline last year after a series of attacks by the guerrillas. The timing and placement of the latest bombings—more sophisticated than in previous attacks—will further strain the government's ability to protect the 475-mile (765-kilometer) pipeline. Some petroleum workers and union leaders are active guerrilla sympathizers, and the rebels will probably carry out additional bombings to coincide with renegotiation of labor contracts later this year. [redacted] 25X1

ARGENTINA: Army Rebel in Hiding

Lieutenant Colonel Rico, who faces charges for leading the Army rebellion last April, has eluded officers sent to arrest him. [redacted] 25X1
[redacted] 25X1
[redacted] The 25X1
government has planned no response, according to the US Embassy, preferring to wait for Rico to make the next move. [redacted] 25X1

Comment: Rico may have fled after failing to muster enough military support to defy President Alfonsin's administration. Nevertheless, his escape has prolonged the confrontation the government had hoped would be short-lived. Even if Rico is apprehended soon, Alfonsin must restore military discipline to ensure that other dissidents do not exploit the government's loss of face by demanding concessions, such as the status of the human rights offenders. Sectors in the Army and Navy would view leniency toward Rico and his sympathizers—or the ouster of Army Chief of Staff Caridi, demanded by the Rico faction—as a sign of government weakness. [redacted] 25X1

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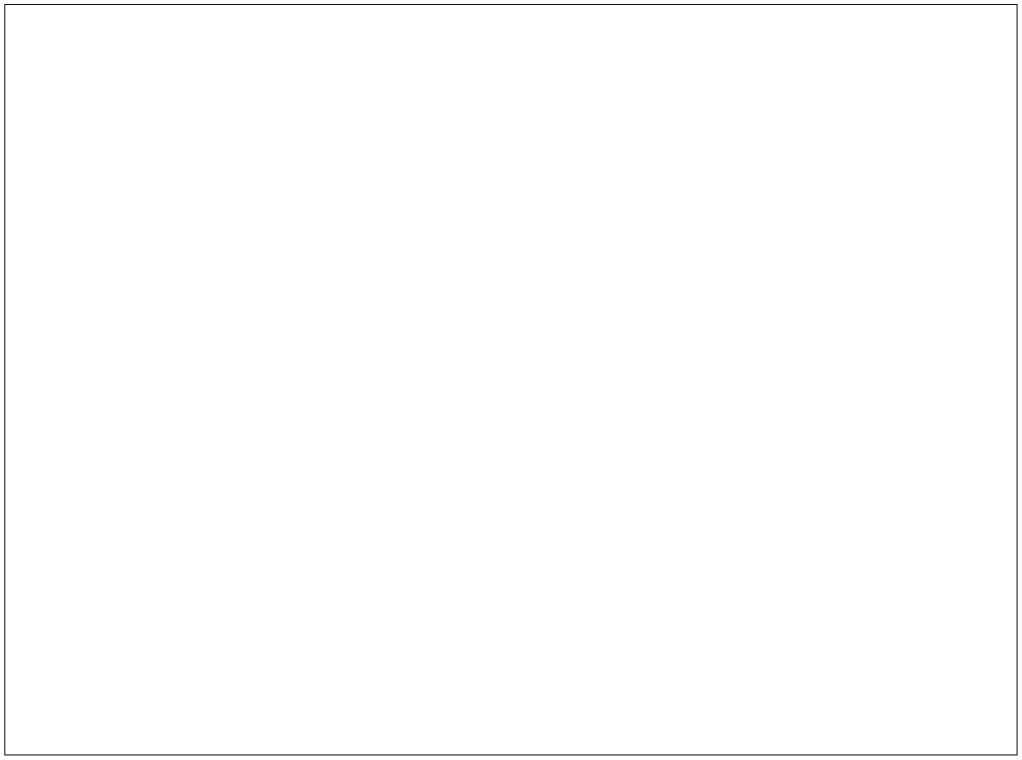

YUGOSLAVIA: Ethnic Tensions Boil Again in Kosovo

Kosovo Province's mainly Albanian leadership is aggravating ethnic tension by proposing to expel three Serbs from the Communist Party for organizing large demonstrations last year protesting discrimination against Serbs. Many Serbs in the Kosovo party are resisting the move, according to Yugoslav media, and threatening to resign from the party and leave the province. The once almost daily demonstrations stopped when federal police were deployed in the province in October.

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Comment: The proposed expulsion is becoming a clash of wills between majority Albanians and minority Serbs that—whatever the outcome—will probably sharpen divisions in the province. If the Albanians back off, the Serbs are likely to become more assertive, possibly provoking the Albanians to violence. If the Serbs are expelled, possibilities for Serb demonstrations will grow as will Serb emigration and resignations from the party, damaging the Kosovo leadership's standing. Chances are slim that authorities will make headway alleviating the cultural causes of tensions, which are rooted in poverty and a growing demographic imbalance in favor of the Albanians.

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In Brief

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Middle East

— US Embassy officials believe **Syrian** President Assad was ill earlier this month 25X1
. . . in view of known underlying health problems, any acute illness can be serious. 25X1

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USSR

— TASS English version reports Andrey Sakharov had first meeting with General Secretary Gorbachev . . . Sakharov part of **Soviet** peace group . . . reiterated support for early withdrawal from **Afghanistan**, expressed optimism at progress on issue. 25X1

Americas

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— Paris Club creditors will meet with **Cuba** Monday . . . likely to arrange further talks to reschedule some $4 billion in Cuban debt, first since 1986 25X1

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Special Analysis

AFGHANISTAN: Soviet Options After Khowst Offensive

The recent Soviet-Afghan campaign to relieve Khowst was one of the few involving more than 5,000 Soviet troops since 1985 and was accorded unusually extensive coverage in the Soviet media. The Soviets' ability to achieve their declared objective of relieving an important Afghan garrison was never in doubt. By committing their forces in a province normally left largely to the Afghan army and trumpeting the offensive, the Soviets also sent a variety of signals to international and domestic audiences. What they do next in Paktia or the advent of similarly orchestrated operations elsewhere will further define the intended political and military message. [redacted] 25X1

The Soviets used unprecedented media coverage to set the offensive in a political context. Its central message was a restatement that Moscow is unwilling to leave Afghanistan at the price of openly sacrificing its allies in Kabul or undermining its prestige. [redacted] 25X1

Moscow's exaggerated press reports of the extent of the Khowst victory probably are also intended to reinforce the image of military competence—both of the Soviets and of the Afghan army. Emphasis on the role of the Afghan Armed Forces may have been designed to lay the groundwork for later assertions that Kabul can defend itself. [redacted] 25X1

Further Commitment or Ephemeral Victory?

Soviet spokesmen have indicated that the most immediate action will be to destroy arms caches and base areas supporting insurgent groups that harass Khowst. This is a logical move militarily whether or not the Soviets intend to withdraw in the short term, because it will improve the security of Khowst and might disrupt planned insurgent operations or hamper accelerated insurgent resupply before an aid cutoff. Such clearing operations will require supporting the current maneuver force for several more weeks and possibly rotating some of the combat units. [redacted] 25X1

At least a regiment probably would be required if the Soviets opted to use their own troops—some in garrison and others in route security positions—to keep the Khowst road open. Keeping the road clear might require even more forces than the Soviets stationed in the Panjsher and Konar Valleys after earlier large offensives. [redacted] 25X1

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Establishing a permanent presence in Paktia would require redistribution of the forces now in Afghanistan. Three-fifths of the Soviet combat troops in the country are already committed to security duties; additional such responsibilities would further reduce the proportion available for offensive operations. Some troop augmentation from the USSR might then be required. The Soviets took a similar step in 1985 when they improved security along the supply route to western Afghanistan. [redacted] 25X1

An early move to garrison Paktia would suggest the Soviets expect no significant results at the forthcoming Geneva session. They probably would not take such a costly step simply to drive a harder bargain in political negotiations. After Geneva they might retain an operational presence somewhat smaller than the combat force now there, judging that, if a settlement is reached, such a force would be adequate to prevent massive insurgent resupply before a cutoff of Western aid is implemented. [redacted] 25X1

If the Soviets opt to maintain Kabul's authority in Paktia by periodically clearing the road and resupplying Khowst, operations similar to the recently completed offensive would be required at least several times a year—enough to damage seriously the insurgents' infrastructure in Paktia. But previous Soviet experiences with frequent large operations have been unsatisfactory. [redacted] 25X1

In lieu of their own troops, the Soviets may have the Afghan army increase its presence in Paktia to reinforce the claim that the regime can defend itself. The Afghan Armed Forces have chronic manpower shortages, however, and Afghan security positions have been highly vulnerable and unreliable elsewhere in Afghanistan. [redacted] 25X1

Withdrawal of Soviet forces from Paktia after completing the resupply of Khowst and clearing nearby insurgent base areas might signal that the Soviets used the offensive simply to demonstrate that they are not being driven to a political settlement by military defeat. But the Soviets know the insurgents will reoccupy cleared territory once Soviet units depart and are unlikely to undercut Kabul's position in the talks in Geneva by showing a lack of resolve. [redacted] 25X1

The Paktia offensive may set a pattern for future combat and propaganda if there is no early political settlement: selecting targets of military and symbolic importance, carefully planning operations and allocating resources so that offensives will not fail, publicizing efforts to avoid combat by negotiation, and following up with a victory campaign in the media. This approach would offer both domestic and international audiences a less bleak picture of Soviet prospects in Afghanistan and maintain the image of the USSR as a reluctant but capable combatant. Repeating the Khowst pattern frequently—particularly if it ultimately involved establishing garrison forces—might require augmentation from the USSR. [redacted] 25X1

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Special Analysis

ISRAEL: **Largely United Against Palestinian Unrest**

Israel is upset by the international criticism of its handling of unrest in the occupied West Bank and Gaza Strip—criticism that most Israelis regard as naive and unfair. The Israeli leadership regards the military's response to the unrest as restrained and justified, while conceding that Israeli troops have overreacted at times. Both Labor Party and Likud Bloc leaders agree that firm measures are needed to restore order. [redacted] 25X1

[redacted] Tel Aviv originally considered deporting dozens of alleged Palestinian agitators in the occupied territories. US and other international pressures probably were key to persuading Israel to limit expulsions to nine for now, but public statements by Israeli leaders reflect conviction that deportations are necessary to demonstrate resolve in the territories and to discourage Arabs from believing street violence will force Israel to retreat from its traditional "iron fist" response to unrest. [redacted] 25X1 25X1

The Israeli Government considers deportation of protest organizers and extended curfews on refugee camps legal and effective; it will continue to use them despite the international outcry, which it believes ignores Palestinian provocations and use of deadly weapons. [redacted] 25X1

Tel Aviv believes it will be censured by the UN and other governments no matter how it reacts to the disturbances. Israel will probably try to curb the damage to its image by making media access to the territories more difficult. The Army has declared turbulent camps to be "closed military areas," enabling it legally to exclude unauthorized civilians from entering. [redacted] 25X1

Neither Labor nor Likud appears to have new ideas about how to move the Middle East peace process forward, although both recognize the violence demonstrates major changes in Palestinian attitudes. Labor's Shimon Peres has restated his support for an international conference on Arab-Israeli peace. Likud's Yitzhak Shamir has reiterated his readiness for talks on limited autonomy for Palestinians in the territories while ignoring a call from a minuscule fringe faction in the party for talks with the PLO. Neither has addressed longstanding Arab objections to these negotiating frameworks. [redacted] 25X1

Labor and Likud are unlikely to gain short-term political advantage from the unrest. Defense Minister Rabin—number two in the Labor leadership—has been the architect of Israel's crackdown in the territories, and Shamir has noted repeatedly in public statements that he approves of the actions Rabin ordered. [redacted] 25X1

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